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**INDEPENDENT AUDITOR'S REPORT**

June 21, 2004

The Honorable Mayor and City Council  
City of Seattle  
Seattle, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seattle, King County, Washington, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the three major enterprise funds; Light, Water, and Drainage and Wastewater, which are discretely reported and also represent 95 percent and 88 percent, respectively, of the assets and revenues of the business-type activities. We also did not audit the financial statements of the Solid Waste fund, which represents 2 percent and 10 percent, respectively, of the assets and revenues of the business-type activities, and 3 percent and 13 percent, respectively, of the assets and revenues of the aggregate remaining fund information. We also did not audit the Seattle City Employees' Retirement System, which statements represent 64 percent and 40 percent, respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Light, Water, Solid Waste, and Drainage and Wastewater funds, and the Seattle City Employees' Retirement System, is based solely on the reports of the other auditors.

We conducted our financial audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seattle, King County, Washington, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.



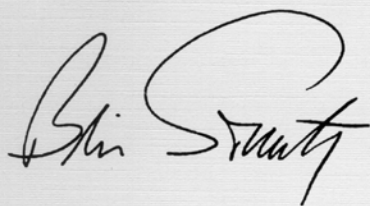
As described in Note 1 to the financial statements, during the year ended December 31, 2003, the Light fund changed its method of presenting certain power sale and purchase transactions related to the adoption of Emerging Issues Task Force (EITF) Issues no. 03-11, *Reporting Realized Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133 and Not "Held for Trading Purposes" as Defined in EITF Issue No. 02-03*.

The Management's Discussion and Analysis on pages 29 through 47, budgetary comparison information on pages 144 through 145, and pension trust fund information on pages 146 through 148, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Seattle's basic financial statements. The accompanying financial information listed as combining financial statements and supplemental information on pages 151 through 226 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements and supplemental information have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, flowing script.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR